



# Banking on consumer platforms

## Reshaping the banking experience



Banks are looking to digitize and expand their offerings. And the big consumer platforms are looking to collaborate with banks. Is your organization ready to engage with the likes of Google, Apple, Facebook and others? And do you know how to turn these relationships into sustainable customer value?

The reasons for working with consumer platforms should be self-evident to any bank decision-maker. Banks are keen to digitize their customer experience, their services and their products. And that means expanding beyond the confines of their traditional bricks-and-mortar service models.

Most banking execs recognize that the consumer platforms will likely become competitors in the future. But they also understand that — in today's economy — they need the strength and reach of the consumer platforms to achieve some of their biggest digital transformation objectives.

### The power of the platforms

The most obvious reason for working with a big consumer platform player is the size of their networks and extent of their reach. Google handles around 5.6 billion searches per day<sup>1</sup>. Facebook claims almost 2.5 billion monthly active users<sup>2</sup>. And there are around 1.4 billion active Apple devices operating around the world<sup>3</sup>. None of the world's largest banks even come close to comparing.

Yet besides their massive reach, there are other key reasons banks are looking at the big consumer platform plays. The first is around the customer experience. Banks are increasingly recognizing that their current channels require their customers to come find them — either at a branch, through an app or on the phone — when what customers really want is for their bank to be wherever they are. Consumer platform plays allow that to happen.

The second reason banks are looking at the bigger players is efficiency. Banks are seeking to increase their volume and their revenues in order to help make the transition into the new economy. And they are looking to unlock some of the capital that is currently buried in their existing branch and legacy systems. Consumer platforms offer a way for banks to become more efficient at delivering their products.

The third big reason for considering a tie-up with a consumer platform is data. Banks are increasingly realizing that — even with a 'single view of the customer' — they still don't know very much about them; most of their insights are limited to information gleaned from the branches. Consumer platforms provide a wealth of data across a much broader group of customers. What's more, the data is already digitized, allowing it to be instantly mined and analyzed.

### The feeling is mutual

For now, the banks' lust for consumer platforms is being reciprocated. The reality is that the big consumer platforms currently need the banks as much as the banks need them. The big tech firms know banking is a highly-regulated and complex business; they are hoping that working with traditional banks will unlock the financial services expertise, controls and models they currently lack.

All of the big consumer platforms are dabbling in financial services in some way or other. But, for the most part, offerings have been fairly simple and small-scale; single products targeted to broad

<sup>1</sup> <https://bluelist.co/blog/google-stats-and-facts/>

<sup>2</sup> <https://www.statista.com/statistics/264810/number-of-monthly-active-facebook-users-worldwide/>

<sup>3</sup> <https://www.theverge.com/2019/1/29/18202736/apple-devices-ios-earnings-q1-2019>

customer segments, payment management and insurance coverage, for example. The next stage of their evolution will require financial services products to be bundled — both with other financial products and with other data sources and services such as health and wellness. That will require deep financial services experience and know-how.

Perhaps more importantly, many of the big consumer platforms are hoping to leverage the high levels of trust that banks have with their consumers. The platform players recognize that customers (and policy makers) are concerned about the power they have been amassing and the mountains of personal data they now hold. Partnerships with banks should bring some of the credibility and confidence that consumers are looking for.

The consumer platforms also see other benefits to collaborating with big, traditional banks. They are eager to learn new skills and capabilities. They are hoping to tap into larger sources of capital. And they are expecting to develop new tools and techniques that can be applied to other verticals and lines of businesses.

## A plethora of partnerships

Not surprisingly, KPMG member firms are starting to see some traditional banks develop a range of different relationships with the leading consumer platforms. The vast majority are using social-media platforms like Facebook to improve their marketing and to harvest and analyze customer data. That's the fairly simple stuff.

The more advanced banks are now working with retail platforms and search platforms like Google (itself supported by Google Web Services) to develop entirely new financial products and channels. They are co-creating new ideas and piloting new technologies to find innovative ways to delight their respective customers.

Apple's partnership with Goldman Sachs to market the Apple Card shows yet another avenue for collaboration between banks and big consumer platforms. The payment option ties many of Apple's key features — like wallet, maps and near field communications (NFC) capabilities — with Goldman's credit product to offer a service that (it claims) rethinks everything about credit cards.

## First come, first serve

While these may seem like early maneuvers by fast-movers, KPMG professionals believe that the window of opportunity for banks will be small. Those making moves now are laying the foundation stones of future dominance.

The reality is that the big platform plays only require a handful of banks as partners — depending on how local regulations shake out, perhaps one partner per market; once the first few tie-ups have been made and solidified, other banks will find it increasingly difficult to come up with differentiated proposals that would appeal to the platforms.

## Preparing for the platforms

If you are like most banking executives, you are probably asking yourself whether your organization is ready to create value from this type of relationship. You've probably seen other (likely smaller) tech partnerships fail. You are likely worried about the risk of wholesale transformation. And you may be wary about whether your technology capabilities and legacy data systems are up to the task.

While these are all key considerations, KPMG firms' experience suggests that one of the biggest obstacles to driving value from these relationships are organizational, cultural and strategic. Based working with banks and consumer platforms, we see four key areas where bank executives may want to focus as they move down the pathway towards partnership and integration with consumer platforms.

- 1. Get laser-focused on the business drivers.** Be clear about the business objectives that these partnerships will help achieve and then let the business drivers guide your decisions. If your goal is to improve customer experience, put the customer at the center of the strategy; if the ambition is for improved efficiency, put financial and productivity metrics at the core. The key is to remain focused on the primary drivers regardless of how the partnership evolves.
- 2. Drive organizational agility.** When working with tech firms, speed is always key. Bank leaders should be looking for ways to improve organizational agility — from adopting agile implementation techniques through to rationalizing their IT infrastructure. What are the technology operating models that will allow them to operate at market speed? And they should be rethinking how they fund, measure and manage individual projects and investments to rapidly move from idea to scale (or failure, as the case may be).
- 3. Develop the right skills and capabilities for success.** As partnerships with consumer platforms start to develop, banks will need to be thinking about attracting, developing and retaining the skills they need to not only incubate new ideas but also to scale them once they are ready for commercialization. Talent management and skills development will be key to driving value from future models and innovations.
- 4. Apply bold leadership.** Perhaps most importantly, bank executives will need to be bold if they want to prepare their organizations for the future. They will need to have the guts to accept failure and take chances. They will need to have and articulate a strong vision for employees, customers and stakeholders. They will need to lead by example, putting community over hard lines, prioritizing sharing over control and relying on trust over bias. They will need to make tough decisions; balancing all of this innovation against the organization's risk and regulatory requirements will not be easy.

## According to recent surveys of CEOs and CIOs conducted by KPMG International, the leading banks exhibit the following four characteristics:

### ✓ They are flexible

- they break the silos
- they build self-managed cross-functional teams
- they collaborate
- they can adjust the speed.

### ✓ They are scalable

- they encourage business-managed technology
- delivered at scale by a highly capable IT function.

### ✓ They are product centric

- they align delivery capabilities to banking products
- they build modular architectures on ecosystems that can change.

### ✓ They are human

- they have leaders that are ready to serve
- they are driven by a purpose
- they encourage experimentation, failing fast is OK
- they share power and control
- they empower teams to make decisions.

## Are you ready?

The reasons for partnering with a consumer platform are clear. And the need for urgency is obvious. The big question now is which banks will be prepared to take advantage of the opportunities and manage the risks now emerging. Our view suggests they will be the ones that start to dominate the future. Will your bank be one of them?

**To learn more about KPMG's work with cloud platform providers and how we can support you, please contact your local KPMG office, or reach out to our authors below.**

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